



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE
Real Estate Division

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October 28, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**EXERCISE OF PURCHASE OPTION
TREASURER AND TAX COLLECTOR
16610 CHESTNUT STREET, CITY OF INDUSTRY
(FIRST DISTRICT) (4 VOTES)**

SUBJECT

This recommendation is to exercise the purchase option to acquire a 120,000 square foot warehouse facility and 5.7 acres of land to accommodate the Treasurer and Tax Collector's (TTC) Public Administrator decedent personal property warehousing program.

**AT THE CONCLUSION OF THE PUBLIC HEARING, IT IS RECOMMENDED THAT
YOUR BOARD:**

1. Ratify the previous publication of the Notice of Intention to Exercise an Option to Purchase the property located at 16610 Chestnut Street, City of Industry (Property) and make a finding that the Property described in the said Notice of Intention is needed for future public benefit.
2. Find that the Negative Declaration approved by your Board on December 18, 2007, at the time the lease and option to purchase agreement was approved is still applicable, noting the fact that no comments were received at that time during the public review process and ratifying the findings that the project did not have a significant effect on the environment, and finding that the Negative Declaration reflected the independent judgment of the County to approve the Negative Declaration.

"To Enrich Lives Through Effective And Caring Service"

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Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

3. Order the purchase to be consummated in accordance with Section 25350 of the Government Code and exercise the purchase option to acquire the Property for \$13,650,000, plus title and escrow fees of approximately \$20,000.
4. Authorize the CEO to open an escrow, sign the escrow instructions and other related documents effectuating the transaction, and to consummate the purchase and accept the deed conveying title.
5. Establish Capital Project No. 77126 and approve the total project budget of \$13,650,000, plus approximately \$20,000 for closing costs to acquire the Property.
6. Authorize the Auditor-Controller to issue warrants to cover the purchase price and related costs to the escrow company designated by the CEO.
7. Instruct the Assessor's office to remove the subject Property from the tax roll effective upon the transfer.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this recommended action is to exercise the option to purchase the Property pursuant to the Option Agreement approved by your Board on December 18, 2007. This action will provide the County with a cost-effective, strategic long-term solution to warehousing space requirements needed to accommodate the TTC's Public Administrator decedent personal property warehousing program and the Department of Mental Health's (DMH) Public Guardian conservatee personal property warehousing program.

As information, on December 18, 2007, your Board approved a five-year lease and an option to purchase the Property with PHD Property, Inc. (Landlord) due to time constraints created by TTC having to vacate its previously leased facility at 4821 Gregg Road, Pico Rivera by January 31, 2008.

After evaluating all available options, the CEO has determined that purchasing an existing warehouse facility with adequate parking is the best long-term solution for meeting TTC's permanent space requirement, which will continue to expand into the future. The site selection process spanned several months before the subject Property was identified as the most viable solution to satisfy TTC's/DMH's large parking and storage requirements. Due to the time constraint imposed by the previous landlord in Pico Rivera, a lease with an option to purchase was considered the most expeditious way to consummate a transaction and relocate the TTC/DMH program by January 31, 2008. Accordingly, a five-year lease was negotiated with an option term to purchase the Property, expiring no later than December 31, 2008, at a predetermined price of \$13,650,000.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we provide the public with easy access to quality information and services that are both beneficial and responsive (Goal 1) and that we enhance the quality and productivity of the County workforce (Goal 2). The proposed acquisition of the Property supports these goals by providing a new warehouse storage facility that provides adequate room for growth and a quality and efficient work environment for TTC's employees, which is conducive to maximizing employee productivity.

FISCAL IMPACT/FINANCING

Sufficient funding is available in the Fiscal Year 2008-09 Capital Projects/Refurbishments Budget under the Capital Project No. 77126 to fund the acquisition of the Property, which includes the purchase price of \$13,650,000, plus related title and escrow fees of approximately \$20,000.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The industrially zoned Property is comprised of a 120,000 square foot warehouse facility, (with a small portion of office space built-out to accommodate onsite TTC staff) along with 142 parking spaces contained within a 5.7 acre parcel of land. Personal property warehousing services are provided for decedent estates referred to the Public Administrator and conservatees being provided care by the Public Guardian, as prescribed by the California Probate Code for the storage, protection, and/or sale of personal property. TTC warehouses the storage crates containing the personal property (as well as vehicles, boats, etc.) until the personal property is sold at auction or transferred to an heir in accordance with court instructions. These programs had been housed at the 75,000 square foot Gregg Road facility in Pico Rivera since August 1972, however, storage capacity at that location had reached maximum limits and the owner of the property would not renew the lease, which expired on January 31, 2008.

The County has the right to exercise an option to purchase the Property within the initial twelve months from the effective date of the Lease (January 1, 2008) at a predetermined price of \$13,650,000, which was determined to be fair market value based on an appraisal by the staff appraiser from CEO's Real Estate Division. The County's option to purchase was conditioned upon the Landlord obtaining a waiver from its lender of a pre-payment provision contained in its underlying financing loan for the Property. The Landlord was able to secure the pre-payment waiver from its lender in September 2008.

The five-year Lease contains a provision for a reimbursable tenant improvement (TI) allowance totaling \$1,500,000 payable after substantial completion of the TI work, via monthly payments at an amortization rate of 9 percent over 18 months of the Lease term or via lump sum payment. The lump sum payment of \$1,446,750 (which is subject to adjustment until the final accounting is completed) plus interest has been made to the Landlord. All tenant improvement work has been completed by the Landlord's contractor in accordance with plans and specifications prepared by this office in close coordination with TTC. The Department of Public Works (DPW) issued a Certificate of Occupancy for the completed TI work in July 2008.

The County has completed all of its due diligence activities to acquire the Property. These activities include the review and approval of the preliminary title report issued by Chicago Title Company, which will insure title. DPW completed and approved a structural and systems assessment of the warehouse facility and conducted a Phase 1 environmental site assessment of the Property, which included limited precautionary soil sample testing with results indicating that no further investigation of subsurface conditions is warranted.

In order to exercise the option to purchase the Property, the County must publish a "Notice of Intention to Exercise an Option to Purchase" in accordance with the provisions of Government Code Section 25350. The notice has been properly published. Following publication of the Notice, the purchase option must be exercised by your Board at a public hearing, thus allowing the County to consummate the transaction and acquire title through escrow.

Attached, for your Board's ratification, is a Notice of Intention to Exercise an Option to Purchase the Property from the owners, PHD Property, Inc., for \$13,650,000.

The CEO, pursuant to Government Code Section 65402, has provided the City of Industry's Planning Department with notice of the County's intent to purchase the Property. County Counsel has approved all documents in this transaction as to form.

ENVIRONMENTAL DOCUMENTATION

The CEO previously made an initial study of environmental factors and concluded that this proposed acquisition had no significant impact on the environment and no adverse effect on the wildlife resources. Accordingly, a Negative Declaration was prepared and a notice posted at the site as required by the California Environmental Quality Act (CEQA) and the CEQA Guidelines Section 15072. Copies of the completed initial study, the resulting Negative Declaration, and the Notice of Preparation of Negative Declaration were posted at the time the Lease was approved by your Board in December 2007. No comments to the Negative Declaration were received during the public review period. A fee must be paid to the State Department of Fish and Game when certain notices are filed with the Registrar-Recorder/County Clerk. The County is exempt from paying this fee when a project will have no impact on wildlife resources, as is the case here.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed acquisition will provide the necessary warehouse storage space and parking for this County program. TTC concurs with the proposed acquisition of the Property.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two originals of the adopted, stamped Board letter, and two certified copies of the Minute Order to the CEO, Real Estate Division at 222 South Hill Street, 3rd Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:WLD
CM:DB:PT:eb

Attachments (2)

c: County Counsel
Treasurer and Tax Collector
Internal Services Department
Auditor -Controller

2008 OCT 31 PM 1:35

NOTICE OF INTENTION
TO PURCHASE REAL PROPERTY

NOTICE IS HEREBY GIVEN that it is the intention of the Board of Supervisors of the County of Los Angeles, State of California to purchase real property located at 16610 Chestnut Street, City of Industry, California. The property is comprised of approximately 120,000 square feet of improvements and 5.7 acres of land in the County of Los Angeles, State of California as legally described on the attached Exhibit "A" for the sum of Thirteen Million Six Hundred Fifty Thousand Dollars (\$13,650,000) from the fee simple owner, PHD Property, Inc.

NOTICE IS HEREBY GIVEN that the purchase of real property will be consummated by the Board of Supervisors of the County of Los Angeles, State of California, on the 28th day of October, 2008, at 9:30 a.m. in the Hearing Room of the Board of Supervisors, Room 381, Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles, California 90012. No obligation will arise against the County and in favor of the Seller with respect to the purchase of the property described herein until the Board of Supervisors approves the purchase on the named consummation date.

SACHI A. HAMAI, Executive Officer/
Clerk of the Board of Supervisors

By _____

APPROVED AS TO FORM

RAYMOND G. FORTNER, JR.
County Counsel

By  _____
Deputy

EXHIBIT "A"

LEGAL DESCRIPTION

PARCEL 1, IN THE CITY OF INDUSTRY, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 44 PAGE 42 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS, PETROLEUM AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SUCH PROPERTY, GRANTOR, ITS SUCCESSORS AND ASSIGNS, RETAINING THE EXCLUSIVE TITLE AND RIGHT TO REMOVE SAID SUBSTANCES, TOGETHER WITH THE SOLE RIGHT TO NEGOTIATE AND CONCLUDE LEASES AND AGREEMENTS WITH RESPECT TO ALL SUCH SUBSTANCES UNDER THE PROPERTY, AND TO USE THOSE PORTIONS OF THE PROPERTY WHICH UNDERLIE A PLANE PARALLEL TO AND 500 FEET BELOW THE PRESENT SURFACE OF THE PROPERTY FOR THE PURPOSE OF PROSPECTING FOR, DEVELOPING AND/OR EXTRACTING SUCH SUBSTANCES FROM THE PROPERTY BY MEANS OF WELLS DRILLED INTO OR THROUGH SAID PORTIONS OF THE PROPERTY FROM DRILL SITES LOCATED ON OTHER PROPERTY, IT BEING EXPRESSLY UNDERSTOOD AND AGREED THAT GRANTOR, ITS SUCCESSORS AND ASSIGNS SHALL HAVE NO RIGHT TO ENTER UPON THE SURFACE OF THE PROPERTY OR TO USE THE PROPERTY OR ANY PORTION THEREOF ABOVE THE LEVEL OF THE AFORESAID PLANE, AS RESERVED BY RANCHO LOS ALAMITOS CORPORATION, A CORPORATION DOING BUSINESS AS BIXBY INDUSTRIAL PARK, RECORDED DECEMBER 31, 1969 AS INSTRUMENT NO. 461 IN BOOK D-4594 PAGE 808, OFFICIAL RECORDS.